



ATTORNEYS AND COUNSELORS AT LAW

Emmett E. Lyne
Direct Dial (617) 556-3885
E-Mail: ELyne@RichMaylaw.com

September 5, 2008

Mary Cottrell, Secretary
Department of Public Utilities
One South Station
Boston, MA 02110

Re: The Berkshire Gas Company, D.T.E. 04-38

The Berkshire Gas Company (“Berkshire” or the “Company”) submits this letter in response to the comments of the Attorney General filed on August 25, 2008 (the “AG Comments”) with respect to the Company’s August 15, 2008 Petition for Expanded Funding for Existing Residential Energy Efficiency Programs and Recovery of Energy Efficiency Related Costs for the Period Commencing September 1 and Ending April 30, 2009 (the “August 15 Filing”). The Company writes to clarify certain issues raised in the AG Comments. The Company is proud of the collaborative energy efficiency effort it has been operating pursuant to the Department-approved settlement in The Berkshire Gas Company, D.T.E. 04-38 (2004) (the “D.T.E. 04-38 Settlement”) and is willing to work with the Attorney General, or any other interested party, to ensure that its August 15, 2008 proposal is clearly understood.

In overview, the Attorney General indicates her belief that in several instances, the Company has not provided the full information requested by the Department in its letter of July 25, 2008 opening this proceeding (the “July 25 Letter”). In order to avoid any misunderstanding, the Company provides the following summary of each of the eight items requested in the Department’s July 25 letter and where it is directly addressed in the Company’s August 15 Filing.¹

1. The energy efficiency programs that are targeted at residential heating end-uses. As set forth in Attachment A, Exhibit 5 of the August 15 Filing, the Company operates Residential and Low-Income Programs pursuant to the D.T.E. 04-38 Settlement. See also, M. Sommer testimony at pp 4-5. Both programs target heating usage and there does not appear to be a controversy on this item.

2. The additional dollars the Company projects it can spend in a cost-effective manner. Exhibit 5 of Attachment A to Mr. Sommer’s testimony sets forth the additional dollars

¹ Pages 11-12 of Mr. Sommer’s testimony also provide an explicit recital of each of these eight items and how it is addressed in the Company’s filing.



the Company projects to spend in a cost-effective manner. In summary, Exhibit 5 demonstrates that the Company has proposed increasing its residential budget by \$94,543 and its low-income budget by \$45,561 as compared with its June 30, 2008 budget, which is attached hereto for the Attorney General's convenience of reference in Reply Schedule 1.² The Company has also requested the flexibility to spend in excess of this amount by up to 10% without the need for former Department approval. See M. Sommer Testimony at p. 10. All administrative expenses are separately detailed in Exhibit 5 in the format developed in the D.T.E 04-38 Settlement.

3. The constraints that limit the additional dollars the Company projects it could spend cost-effectively. Mr. Sommer explicitly testified: "As discussed at the July 29, 2008 Technical Conference, the Company notes that achievable savings are necessarily **limited by constraints** in program delivery infrastructure (e.g. the level of qualified contractors in the field) and the need to maintain quality and safety controls for an expanded level of program activity." M. Sommer testimony at p. 8. These program delivery infrastructure limits remain the largest constraint on program expansion for Berkshire.

4. The additional number of residential customers that will be served. Mr. Sommer testified: "As reflected in Attachment A, Schedule 5, the Company projects increasing participation (as opposed to spending) in its residential programs by approximately 20%." Testimony at p. 12. The Company expressed this additional amount as a percentage as it, and other filers, believed that format to be most helpful and responsive to the Department. To follow up and directly respond to the Attorney General's comment, this percentage equates to approximately 90 additional residential and low-income heating customers, in the aggregate.

5. The additional kilowatt-hour, kilowatt, therms or mmbtu savings that will be achieved. Mr. Sommer testified: "Energy savings achieved should be increased by at least 15% to 20%." See M. Sommer testimony at p. 12. Again, the Company expressed this additional amount as a percentage as it believed that format to be most helpful and responsive to the Department. To follow up and directly respond to the Attorney General's comment, this range equates to approximately 8,000 of additional therm savings for residential and low-income programs. See e.g. Attachment A, Exhibit 7A and 7B, Line 6.

6. The dollar savings on monthly bills that additional participants will be expected to realize. See M. Sommer testimony at p. 11. There appears to be no controversy on this item.

7. The effect on the cost-effectiveness of the applicable programs. As reviewed at the technical session, the Department did not require that potentially expensive new cost-effectiveness screening runs be performed. Rather, in its July 25 Letter, the Department required

² As testified by Mr. Sommer, the Company's August 15 Filing proposes an approximately 25% increase to the currently proposed (June 30, 2008) budget set forth in Reply Schedule 1 for ease of reference. See M. Sommer testimony at p. 8. Use of Attachment A, Exhibit 1, 2007-2008 (Actual Expenditures through April 30, 2008--which were higher than projected) as the comparison point, as appeared to have been done in the comments of Environment Northeast, understates the increase proposed by Berkshire, especially when the Company has also requested flexibility to spend 10% more than requested if market conditions allow.

that the effect on cost-effectiveness of the proposals be expressly addressed. Mr. Sommer explicitly addresses cost-effectiveness at p. 9 of his testimony and how the Company's proposal maintains program cost-effectiveness.³ In sum, the Company respectfully believes it has fully responded to the Department's requirements in an administratively efficient manner, consistent with the discussion during the technical session, that avoids the expense of a new screening being performed.

8. The Company's proposed mechanism for recovery of incremental expenditures. See Mr. Sommer testimony at pp. 10-11. There does not appear to be any controversy on this issue.

In sum, the Company respectfully submits that the August 15 Filing addresses the Department's July 25 Letter in a good faith and direct manner.

Berkshire's Request Regarding Five Year Expenditures Under the D.T.E. 04-38 Settlement
In its July 25, 2008 Letter, the Department required that the Company present by August 15 its proposal for increased funding for the upcoming heating season. In order to address this request in a comprehensive and coordinated fashion based on its unique circumstances, in Mr. Sommer's testimony, Berkshire noted that:

through Year Four of its Five-Year Period, and as reported in its periodic Annual Reports and as reviewed in periodic cost of Gas Adjustment Clause filings, [Berkshire] has expended \$3,200,622 in total of its overall pre-approved budget of \$3,772,247 (adjusted to \$3,797,351 in the Company's periodic Annual Reports) from the D.T.E. 04-38 Settlement. In order that the Company not be in a position where it needs to review ramping down residential or C&I programs in advance of the end of the D.T.E. 04-38 Settlement pre-approval period, as part of its request for increasing funding for the upcoming Heating Season, the Company has requested that its overall (residential and C&I) five-year pre-approval expenditure amount for the D.T.E. 04-38 Settlement be increased from \$3,772,247 (adjusted to \$3,797,351 in the Company's periodic Annual Reports) to \$4,237,351, which overall amount includes the expanded residential funding sought herein and reflects the Company's best estimate of overall expenditures for the pre-approved D.T.E. 04-38 Settlement programs through the Heating Season.

The Attorney General argues that the request should be made in a separate proceeding. The Company respectfully submits that this request is entirely appropriate in the context of the ongoing proceedings which are specifically filed under the same docket as Berkshire's current five year energy efficiency plan as required by the Department in its August 1, 2008 scheduling memorandum. As part of the D.T.E. 04-38 Settlement, the Company set forth an overall pre-approved budget. Because it is likely this budget will be exceeded, in part due to the need to increase funding for the upcoming heating season, it makes common sense to address this matter in the instant filing for the avoidance of any doubt as to these matters as the heating season approaches. Berkshire emphasizes, however, that in each year of its five year pre-approval

³ As set forth in Attachment A, Exhibit 6, Residential Program cost-effectiveness as of June 30, 2008 was 3.14. Under no rational set of assumptions would this ratio be reduced to less than 1.0 based on the Company's proposal.

period, as required in the D.T.E. 04-38 Settlement, it has submitted actual expenditures which have been reviewed by the Department, as well as projected expenditures for the upcoming year, in its annual reports and in its Local Distribution Adjustment Factor ("LDAF") filings. See D.T.E. 04-38 Settlement at Section II.H. While the Company has somewhat over-performed and has achieved notable penetration in its environmentally-friendly energy efficiency effort, it has consistently reported to the Department and all interested parties the levels of its expenditures and such expenditures have consistently been approved in applicable LDAF reviews as contemplated by the D.T.E. 04-38 Settlement. While the confirmation sought by Berkshire for making expenditures in excess of pre-approved total may seem like a "belt and suspenders approach" given this background, in light of the July 25 Letter and the need to increase expenditures, it is prudent to avoid any possible ambiguity on the plan for expenditures on a going forward basis. To be clear, the Company has not proposed, and is not proposing, an increased C&I budget for the upcoming winter heating period. As indicated in Exhibit 5, the C&I budget is unchanged from the budget filed on June 30, 2008. Compare with Reply Schedule 1, showing an identical total proposed C&I budget of \$254,178.

In sum, these actual expenditure matters have already been reviewed by the Department.⁴ Solely to avoid any doubt heading in the upcoming heating season and to be as administratively efficient as possible given the Department's July 25 Letter, the Company has sought the Department's confirmation that it should continue offering both its residential and C&I programs at the levels set forth in the Company's annual June 30, 2008 filing as expanded in the August 15 Filing for residential and low-income programs in response to the Department's July 25 letter. The Company emphasizes that Section 2.G of the D.T.E. 04-38 Settlement expressly allows the Company to expend and seek recovery of funds for its energy efficiency programs in addition or in excess of the pre-approved amounts. The Settlement does not require a separate docket for such proposals. The Company respectfully requests that the Department provide the confirmation requested in order that it not be faced with the prospect of ramping down efforts prior to the April 30, 2009 close of the D.T.E.04-38 Settlement pre-approval period-- which prospect seems to be directly in opposition to the expanded funding required by the Department in its July 25 Letter.

RCS Matters. Similar to the Cape Light Compact, the Company supports and endorses the enhancements to the RCS program developed in collaboration with the DOER.

Low-Income Weatherization and Fuel Assistance Program Network Comments. As set forth in the Reply Comments of the Low-Income Weatherization and Fuel Assistance Program Network ("Network"), the Company supports and endorses the expansion of the low-income program to customers with incomes between 60% and 80% of the medium income standard. The

⁴ The Attorney General argues that because NSTAR has sought relief for a budget issue in a separate proceeding, so should Berkshire. The Company does not have any comment on how NSTAR addresses its collections pursuant to its unique program offerings and is supportive of all NSTAR efforts, but notes that its D.T.E. 04-38 Settlement would allow review of actual and projected expenses in the annual LDAF reconciliation. Given that Berkshire will not make an LDAF filing until September 15, 2008 and for all the reasons noted above, it is most efficient to address this request, which directly bears upon the upcoming heating season, at this time.



Company has worked closely with the Network to ensure that there is a special focus on customers with the greatest needs for the upcoming heating season and appreciates the support of the Network.

Conclusion. In closing, the Company emphasizes that it is willing to work cooperatively with the Attorney General and all other interested parties to ensure that customers have the tools to save energy in the upcoming heating season. Should you have any questions in this matter, please do not hesitate to contact Michael Sommer at (800) 292-5019 or the undersigned at (617) 556-3885.

Very truly yours,

A handwritten signature in black ink, appearing to read "Emmett E. Lyne".

Emmett E. Lyne

cc: Service List

REPLY SCHEDULE 1

- A. Exhibit 5 of June 30, 2008 Annual Report
- B. Exhibit 5 of August 15 Filing

K:\UTLABEC\DSM\Letter 9-4-08.doc

Reply Schedule 1A

The Berkshire Gas Company, D.T.E. 04-38
 2006 Energy Efficiency Forecasted Program Budget
 May 1, 2008 through April 30, 2009

As filed June 30, 2008

Exhibit 5
 Page 1 of 1

Residential Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentives | Program Implementation | Evaluation & Market Research | Total |
|-------------------------------------|--------------------------------------|-----------------------------------|-------------------|---------------------|------------------------|------------------------------|---------|
| Residential Program Budgets: | | | | | | | |
| 1 | ENERGY STAR Thermostat Rebate | 3,218 | 629 | 10,000 | 3,000 | 289 | 17,136 |
| 2 | ENERGY STAR Homes | 5,628 | 1,907 | 28,575 | 0 | 826 | 36,936 |
| 3 | ENERGY STAR Windows | 3,218 | 668 | 10,000 | 600 | 289 | 14,775 |
| 4 | High Efficiency Heating Rebate | 33,351 | 4,809 | 103,625 | 8,510 | 2,996 | 153,290 |
| 5 | High Efficiency Water Heating Rebate | 8,046 | 1,476 | 25,000 | 2,300 | 723 | 37,545 |
| 6 | Weatherization | 27,200 | 4,172 | 73,994 | 50,057 | | 155,423 |
| 7 | DOER Assessment | 1,200 | | | | | 1,200 |
| 8 | Total Residential Budget | 81,862 | 13,660 | 251,194 | 64,467 | 5,123 | 416,306 |

Low-Income Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentives | Program Implementation | Evaluation & Market Research | Total |
|------------------------------------|--------------------------------|-----------------------------------|-------------------|---------------------|------------------------|------------------------------|---------|
| Low-Income Program Budgets: | | | | | | | |
| 9 | Residential | 27,200 | 0 | 90,780 | 20,272 | 0 | 138,252 |
| 10 | LEAN Coordination Fee | 2,765 | | | | | 2,765 |
| 11 | Total Low-Income Budget | 29,965 | 0 | 90,780 | 20,272 | 0 | 141,017 |

Commercial & Industrial Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentives | Program Implementation | Evaluation & Market Research | Total |
|---|--------------------------------------|-----------------------------------|-------------------|---------------------|------------------------|------------------------------|---------|
| Commercial & Industrial Program Budgets: | | | | | | | |
| 10 | Traditional or Custom | 54,400 | 0 | 103,805 | 12,571 | 0 | 170,775 |
| 11 | Infrared Rebate | 19,701 | 964 | 12,500 | 575 | 361 | 34,101 |
| 12 | ENERGY STAR Thermostat | 788 | 39 | 500 | 150 | 14 | 1,491 |
| 13 | High Efficiency Heating Rebate | 17,101 | 836 | 10,850 | 817 | 314 | 29,917 |
| 14 | High Efficiency Water Heating Rebate | 3,940 | 193 | 2,500 | 230 | 72 | 6,935 |
| 15 | Efficient Food Service Equipment | 6,304 | 308 | 4,000 | 230 | 116 | 10,958 |
| 16 | Total C&I Budget | 102,234 | 2,340 | 134,155 | 14,572 | 877 | 254,178 |
| 17 | COMPANY TOTALS | 214,061 | 16,000 | 476,129 | 99,311 | 6,000 | 811,500 |

Reply Schedule 1B

Exhibit 5
Page 1 of 1

The Berkshire Gas Company, D.T.E. 04-38
Revised 2009 Energy Efficiency Forecasted Program Budget
May 1, 2008 through April 30, 2009

As filed August 15, 2008

Residential Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentive | Program Implementation | Evaluation & Market Research | Total |
|------|--------------------------------------|-----------------------------------|-------------------|--------------------|------------------------|------------------------------|---------|
| | Residential Program Budget | | | | | | |
| 1 | ENERGY STAR Thermostat Rebate | 2,429 | 615 | 10,400 | 3,120 | 229 | 16,793 |
| 2 | ENERGY STAR Homes | 5,796 | 1,977 | 31,433 | 0 | 692 | 39,897 |
| 3 | ENERGY STAR Windows | 2,920 | 786 | 12,500 | 750 | 275 | 17,231 |
| 4 | High Efficiency Heating Rebate | 31,907 | 6,483 | 136,590 | 10,833 | 3,005 | 188,818 |
| 5 | High Efficiency Water Heating Rebate | 12,013 | 3,041 | 51,425 | 4,731 | 1,131 | 72,342 |
| 6 | Weatherization | 27,200 | 5,738 | 91,553 | 50,057 | 0 | 174,568 |
| 7 | DOER Assessment | 1,200 | | | | | 1,200 |
| 8 | Total Residential Budget | 83,466 | 18,660 | 333,901 | 69,491 | 5,332 | 510,849 |

Low-Income Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentive | Program Implementation | Evaluation & Market Research | Total |
|------|----------------------------------|-----------------------------------|-------------------|--------------------|------------------------|------------------------------|---------|
| | Low-Income Program Budget | | | | | | |
| 9 | Residential | 27,200 | 0 | 122,897 | 33,391 | 0 | 183,488 |
| 10 | LEAN Coordination Fee | 3,089 | | | | | 3,089 |
| 11 | Total Low-Income Budget | 30,289 | 0 | 122,897 | 33,391 | 0 | 186,578 |

Commercial & Industrial Detail

| Line | PROGRAM/INITIATIVE | Program Planning & Administration | Program Marketing | Customer Incentive | Program Implementation | Evaluation & Market Research | Total |
|------|---|-----------------------------------|-------------------|--------------------|------------------------|------------------------------|---------|
| | Commercial & Industrial Program Budget | | | | | | |
| 10 | Traditional or Custom | 54,400 | 0 | 103,805 | 12,571 | 0 | 170,775 |
| 11 | Infrared Rebate | 19,701 | 964 | 12,500 | 575 | 361 | 34,101 |
| 12 | ENERGY STAR Thermostat | 788 | 39 | 500 | 150 | 14 | 1,491 |
| 13 | High Efficiency Heating Rebate | 17,101 | 836 | 10,850 | 817 | 314 | 29,917 |
| 14 | High Efficiency Water Heating Rebate | 3,940 | 193 | 2,500 | 230 | 72 | 6,935 |
| 15 | Efficient Food Service Equipment | 6,304 | 308 | 4,000 | 230 | 116 | 10,958 |
| 16 | Total C&I Budget | 102,234 | 2,340 | 134,155 | 14,572 | 877 | 254,178 |
| 17 | COMPANY TOTALS | 215,989 | 21,000 | 590,952 | 117,455 | 6,210 | 951,605 |